

## Bachus Amendment to Protect Struggling Homeowners From Scams Wins House Approval

WASHINGTON - Congressman Spencer Bachus (AL), the top Financial Services Committee Republican, offered a commonsense amendment aimed at combating scam artists from preying upon struggling homeowners to a larger mortgage bill being considered by the House today. Before the House adopted the amendment, Bachus delivered this floor speech:

"Before I begin discussing my amendment, I would like to thank Chairman Frank for working with me to bring this amendment to the floor. Originally, my amendment funded foreclosure rescue scam awareness activities using money from H.R. 1728's legal assistance fund. After consultation with the Chairman, I revised my amendment to use the bill's housing counseling authorization as a funding source. Though we disagree on the merits of the underlying bill, I appreciate the spirit of bi-partisanship which the Chairman showed in our discussions about this amendment.

"An unprecedented number of homeowners are delinquent on their mortgages and entering foreclosure. According to the latest survey conducted by the Mortgage Bankers Association, the share of loans in foreclosure or with at least one payment past due now stands at eleven percent. This situation has created opportunities for scam artists to take advantage of homeowners in desperate situations through so-called foreclosure "rescue" schemes. My amendment is designed to protect homeowners from being victimized in this way.

"The amendment will allow mortgage servicers to work together with Neighborhood Reinvestment Corporation, a congressionally-chartered organization, to make delinquent borrowers aware that they may be targets of fraud and inform them of how they can best protect themselves. The amendment is funded by redirecting 10 percent of the housing counseling funds authorized under section 404 of the legislation.

"Many scam artists use publicly available information about defaults and foreclosure starts to contact troubled borrowers. In states with judicial foreclosures, lenders file the foreclosure action in a local court; in states with non-judicial foreclosure regimes, lenders file a notice of default with the county recorder. All of these records are available to the general public, and provide the raw material for fraud artists to prey upon troubled borrowers.

"In a classic loan modification scam, borrowers are duped into paying up-front fees for a loan modification that never occurs. In other cases, borrowers are told that in order to complete a mortgage refinancing needed to avoid foreclosure, they must sign over the title to the property. Another scam promises homeowners they can stay in their house as a renter and buy back the property at a later date.

"On February 10, 2009 the Administration released the Home Affordable Refinance Program and a Home Affordable Modification Program. Unfortunately, with the introduction of these new programs unscrupulous persons or companies have new opportunities to defraud unsuspecting borrowers. On April 6, 2009 the Treasury's Financial Crimes Enforcement Network (FinCEN) issued guidance to financial institutions on filing suspicious activity reports regarding loan modification and foreclosure rescue scams. I believe my amendment will help complement the Treasury's enforcement initiatives.

"We must stop these outrageous mortgage fraud rescue schemes. Many of these unscrupulous operators are the same brokers who put people in fraudulent loans in the first place and now they're going for a second bite at the apple. After making a bad loan, these shady operators take advantage of people at their most vulnerable point when they are about to lose their home by promising to work things out. Instead, these con artists end up scamming homeowners for a second time.

"Congress shut off one avenue with national mortgage licensing system now being instituted by the Conference of State Banking Supervisors, but every time you shut one door, innovative crooks find a back door and now they have moved to the fertile field of foreclosures. We must protect unsuspecting and vulnerable homeowners from being cheated by these rogues and felons.

"I urge my colleagues to vote 'yes' on this amendment."

NOTE: Click [HERE](#) to view this speech and [HERE](#) to view the full text of the amendment. Also, click [HERE](#) to view a recent Bloomberg article on these scams.

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